An Empirical Study on Client-induced Valuation Bias - Evidence from Fiji

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Eroni Batikawai[1] and Asenaca Nawaqalevu [2]

Abstract

Valuation bias stemming from the influence exerted by valuation clienteles continues to be a subject of concern affecting the objectivity, validity and utility of valuations globally. Client-induced valuation bias is of particular concern for small island developing economies like Fiji, where the adoption and implementation of global valuation practice standards is still in its infancy. This study employs a survey questionnaire and a behavioural experiment to examine the existence and nature of client influence on valuations in Fiji. The study finds that most valuers are knowledgeable of the existence of client-induced bias in their professional line of work. Furthermore, the valuers express strong opinions that clients do engage in 'opinion shopping' by requesting indicative figures prior to commissioning a valuer, and that clients also use information as leverage to influence valuation outcomes. Lastly, the result of the logistic regression model analysing the behavioural experiment responses suggests that neither client size nor magnitude of value adjustment sought by the client are statistically significant in explaining the valuer's decision on whether or not to revise their valuations.

Keywords: Behavioural Research; Client Influence; Fiji; Logistic Regression; Valuation Bias

[1&2] Assistant Lecturers, School of Business and Management, The University of the South Pacific, Fiji. Email: eroni.batikawai@usp.ac.fj

Introduction

Behavioural research in the domain of real property has made vital contributions in engendering a more holistic comprehension of the decision making behaviour of property investors, valuers and property developers (Diaz, 1999; Diaz, 2007). In comparison to other business related disciplines of marketing, accounting and management; real estate and finance were late in adopting the behavioural research paradigm (Hardin 1999). Behavioural research draws intellectual inspiration from the domain of cognitive psychology and the theory of human information processing. Diaz (1999) explored the potential of behavioural research in the field of real property by expounding on its central question(s), philosophical and theoretical underpinnings and its methodological framework. Behavioural research provide insights into the actual problem-solving tendencies of professionals/experts and how this deviate from the normative rational processes they are expected to follow and how this in turn affects valuation outcomes and quality (Hardin 1999; Klamer, Bakker et al. 2017).

The first strand of behavioural property research examined the role of valuers (as experts) in undertaking valuation assessments(Northcraft and Neale 1987; Diaz, 1990; Worzala, Lenk et al. 1998; Wolverton and Gallimore, 1999) . Property valuation is the process of estimating the value of real property assets through the analysis of relevant market and property specific data. Gallimore and Wolverton (1997) observed that valuations are a function of the way in which the valuer processes key information. Behavioural research recognizes that valuers are neither entirely objective nor completely rationale in making valuation decisions (Levy and Shuck, 1999). Nonetheless, valuers play a critical role in procuring fair and objective value estimates in support of business and investment decisions (Diaz, 1999; Worzala, Lenk et al. 1998). Property valuations are fundamental to the interrelated process of performance measurement, acquisition and disposal decisions(Baum, Crosby et al. 2000).

The orthodox position framing valuation activity as a normative, systematic, bias-free process has been challenged as evidence abound uncovering discrepancies between the property's final sale prices and market value (Diaz 1990; Gallimore and Wolverton, 1997; Gallimore and Wolverton, 2000). Research have also shown that expert valuers do not to follow a normative valuation process but exhibit the use of cognitive shortcuts and heuristics in their decisions (Diaz, 1990; Diaz,1999; Diaz, 2004). The normative valuation framework has failed to address the potential effects of valuers interaction with the task environment(Tidwell and Gallimore, 2014;

Klamer, Bakker et al. 2017). The existence and persistence of valuation bias, even in an information rich environment, is an issue of concern globally and calls into question whether valuation evidence can be relied upon for asset performance measurement, acquisition and disposition. Behavioural research offer insights into valuation bias by examining the process valuers follow in their problem solving space through the use of behavioral type research experiments (Diaz, 1990; Levy and Schuck 1999; Levy and Schuck, 2005).

Valuation Industry in Fiji

The Fiji Institute of Valuers and Estate Management (FIVEM) is the professional body that represents the professional interest of valuers in Fiji. Membership into the FIVEM is open to practicing valuers, that have completed the requisite academic training in the field of property valuation. As with other professional bodies in Fiji, FIVEM is funded through sponsorship and contributions from its current members. Recently the FIVEM has endorsed the adoption of the International Valuation Standard (IVS) in Fiji although there are teething problems in its implementation across the industry (Narayan and Biswas 2020). The IVS is a set of professional standard for valuers formulated by the International Valuation Standards Council (ISVC) covering the valuations of many types of assets, including real estate, plant and equipment, intangible assets and businesses. The standard is applicable for both users and providers of valuation recognizing the need for a global approach to the valuation of real estate assets and also promoting transparency and consistency in valuation practice (Council, 2019). Challenges remain in securing continuous professional development/training through the FIVEM to facilitate the full incorporation of these IVS guidelines by individual valuation firms (Narayan and Biswas 2020).

The licensing body for valuers in Fiji is the *Valuers Registration Board*- a statutory body that is created under the statute of Fiji –namely the Valuer Registration Act (1986). The specific roles of the Valuers Registration Board are outlined in section 5 of the Valuers Registration Act (1986) and this includes: (1) determining the suitability of persons for registration as valuers, (2) authorize the registration of approved persons as valuers, (3) regulate the conduct of valuers and the practice of valuing and to provide advice to the Minister in relation to the practice and activities of valuers in Fiji. The Valuers Registration Board in its February 2018 gazette notice on lists a total of fifty-one (51) individuals with active registration status in both the private sector as well in government department as well as property related statutory organizations in Fiji (Nayacalevu, 2018).

In terms of valuation practice, large institutional-investor clients such as Fiji National Provident Fund (FNPF), Fijian Holdings Limited (FHL), as well as local banks and other credit agencies have internally approved 'Panel of Valuers' that they engaged to provide valuation services. Valuation of high-end residential and commercial properties is dominated by a few of the larger valuation firms that have a depth of professional knowledge, expertise and resources to meet client requirements. For instance, the Fiji Development Bank (FDB) restricts valuation assignments for properties with values greater than Fjd$300k to a panel of only six valuation firms whilst assignments for lower-valued properties, includes a larger panel of seventeen valuation firms(FDB 2021). Generally, the market for the valuation of residential properties is more open with a larger number of valuation firm's competing for market share. Valuation services however is not limited to local firms, with some larger property investors also engaging internationally recognized valuation firms in the valuation of their investment properties (FNPF 2021).

Valuation fee is generally standardized across the industry and depends in large part on the property interest to be valued, the location of the property and the scope of the required work. For instance, valuation fee for a vacant residential land is roughly Fjd$250-$350 (equivalent Aus$160-$230 range) whilst valuation fee for single, double or multi-unit residential property is around a ball park range of Fjd$400-$600 (equivalent to Aus$260-390 range). Valuation fee is higher for commercial, industrial and hotels/resorts and other specialized property due to the complex nature of property rights and improvements to be valued.

Objectives of the study

This study examines the prevalence of client influence on valuers and valuation outcomes in Fiji, using as case study valuers currently in operation in Fiji's major cities and towns The study utilises a survey instrument as well as a behavioural experiment to achieve the study objective. The objective of the study is twofold:

(1) To determine whether practicing valuers are subjected to client's influence

(2) To quantify the likely impact that client influence (measured by the size of the client and value adjustment) will have on valuation outcomes

The study objective is relevant at this point in time given the Fiji Institute of Valuers and Estate Management (FIVEM) recent adoption of the International Valuation Standards in Fiji and with that the expectation of better services from valuers. The study is also important given the need to protect the independence and the legitimacy of property valuations carried out in Fiji and to support business and investment decision making. The intent of the IVS is to increase the confidence and trust of users of valuation services by establishing transparent and consistent valuation practices (IVSC Council, 2019).

Literature Review

Behavioural property research has made immense contributions in understanding the valuer's use of heuristics and cognitive shortcuts in their decision making. For instance, in a descriptive study comparing the valuer's prescribed models of behaviour with their actual behaviour, Diaz (1990) contends that the problem solving behaviour of expert valuers deviate significantly from the prescribed process when operating in both familiar and unfamiliar market environment. Furthermore, studies have also shown that when the valuation task is complex and information constrained, valuers 'anchor' values to know signals such as their previous value estimates, asking prices or other expert value opinion (Diaz, 1990; Gallimore and Wolverton, 1997; Diaz and Hansz, 2001). These studies confirm that the problem solving behavior of valuers do not mirror a normative, objective process but rather that the valuer is constrained by their own individual problem solving tendencies.

The problem solving behaviour of valuers could potentially induce bias at different stages of the valuation process (Klamer, Bakker et al 2018). Bias in valuation refers to the extent to which the assessed value of the property deviate from its unobservable 'true' market value. Valuation bias has been classified as either random or systematic, with the latter attributed mainly to behavioral contentions such as client influence (Yiu, Tang et al, 2006). A number of researchers have examined client influence on valuation using various methodological approach and in different jurisdictional context (Smolen and Hambleton, 1997; Levy and Schuck, 1999; Wolverton and Gallimore,1999; Klamer, Bakker et al. 2019). The literature on client influence on valuation is broadly classified into three strands: client pressure evidence; influences related to client characteristics; and influences related to specific valuation purposes (Achu 2013).The relationship between the client and the valuer is that of an agent-principal where the principal (client) has a strong pecuniary interest in the final value of the property whilst the agent (valuer) may be compelled to concede to a client's request in order to avoid conflict over fees and secure repeat

business opportunity (Levy and Shuck, 1999).

The influence that clients can exert on valuers takes many forms – reward, coercive, expert and information type influence (Levy and Shuck, 1999). Reward and coercive influence relates directly to the actions of the clients to either provide material and non-material benefits (in the case of "rewards") or material and non-material punishments (in the case of "coercive" influences). Reward type influence can take the form of clients promises of future business or in spreading good word about the valuer to other prospective clients. Coercive influence on the other hand is reflected in the behaviour of client to engage in *'opinion shopping'* and in making explicit treats to *'engage the services of other valuers'* if they perceive that the valuer may not consent to their opinion of value (Rushmore, 1993; Kinnard, 1997). Other potential coercive/reward tactics include decrease in number of valuation assignments, inclusion into an approved pane of valuers list, threat of court action, refusal to pay of the valuation fee, monetary incentives and loss of a service contract (Levy and Shuck, 2009).

In addition to reward/coercive power clients also possess expert and information power that can influence the objectivity of the valuer. Expert power refers to the extent to which others perceive an individual as being knowledgeable about relevant issues whilst information power refers to an individual's access and control of relevant information. In the context of valuation, expert power plays out in clients who possesses an extensive knowledge and understanding of the property market and the valuation process and therefore are able to scrutinize each elements of how the valuation is conducted. Levy and Shuck (1999) observed that sophisticated clients tend to use expert and information power to influence valuers and this may result in valuers changing their original opinion of value. In contrast, unsophisticated clients tend to use reward/coercive power and this does not result in a change in the valuers opinion of value.

Client information power is also highly relevant in the context of property valuation where the role of valuer is essentially that of an information arbiter. A valuer may be confronted with information ambiguity or data uncertainty leading to uncertainty in the valuation decision making process which may lead the valuer to apply heuristics and exhibit cognitive bias in their decision making (Klamer, Bakker et al 2017). Levy and Shuck (2009) observe that valuers are placed in an ethical dilemma due to the ambivalent role of clients in regards to information. On the one hand, clients exert 'proper' influence by supplying the valuer with all property and market information relevant for the valuation task whilst on the other hand, they also exert 'improper'

influence through omission and/or censorship of information supplied. Furthermore, client influence also arises due to the information verification process followed by the valuer in relation to their position and seniority. Valuers acting at partner level within their organization obtain lower scores on information verification compared to lower-ranked valuers (Klamer, Gruis et al. 2019).

In addition to identifying the type of influence that clients can exert on valuers, the literature further addresses the primary factors affecting the degree to which clients influence valuation. These include the type of client, the characteristics of valuers and valuation firms, the purpose of a valuation and the information endowments of clients and valuers (Levy and Shuck 1999). For instance, Smolen & Hambleton (1997) in their study of valuers in the USA finds that client influence is related to the type of client with mortgage lenders and commercial bankers rated as the most influential. In their study Levy and Shuck (1999) also identified the type of client as an important factor impacting on the scale of clients influence, isolating the banks and developers as the most influential group. In addition to the type of client, the size of the client is also a key factor in explaning the scale of client influence on valuers. For instance Kinnard 1997) investigating the prevalence of client bias in the commercial valuation industry found that a significant direct relationship exists between client size and the valuer's likelihood of revising their valuations. The motives for valuers to succumb to client influence revolve around the business environment, local economic situation, ethical issues, enforcement of discipline and valuers' experience (Nwuba, Egwuatu et al. 2015). Other factors that have been also been explored in the literature include the characteristics of the valuer and the valuation firm, external regulatory framework and market conditions as well characteristics of the type of valuation service sought by the client.

Research Methodology & Design

The study utilises two research instruments to investigate the influence of clients on valuation in Fiji. Firstly, a behavioural experiment instrument is used to investigate the nature of client influence on valuation (Worzala et al., 1998). This behavioural experiment utilises a 2 * 2 factorial between subject design to examine two specific influences on valuations, namely (1) client size and (2) magnitude of value adjustment requested by client. These two influences culminate in the decision of the valuers whether or not to revise their final value assessment. In relation to the first variable, the level of client pressure is considered to be directly proportionate to the size of the client, which is measured in this study by the percent of the valuer's business or revenue that the client provides. Clients that generate larger business for

the valuation firm are construed to wield more influence (in making valuers change their value estimates) than clients generating a smaller business share (Worzala et al., 1998; Levy & Schuck, 1999). There are two categories of client size considered in the study: "small clients", who provide 5% or less of the revenue, and "large clients", who provide 30% or more of the revenue for the valuation firm.

The second influence relates to the magnitude of change to the valuation figures requested by the client. The amount of adjustment is categorised into "small adjustment" (5% or less of the assessed value) and "large adjustment" (15-20% of the assessed value). Significantly large changes to the value signify amendments that are outside the margin of what is deemed acceptable for prudent valuation (i.e., +/- 10% deviation from the mean), which exposes the valuer to risk. It is envisaged that the risk of loss to the valuer is lower when the magnitude of change requested by the client is small (or within acceptable margins) and conversely the risk of loss to the valuer is much higher when a larger adjustment is requested by client. The risk of loss for the valuer relates to the probability of the valuer being subjected to disciplinary action and consequently their practicing license revoked. In Fiji, the Valuation Licensing Board is empowered under the Fiji Valuers Act (1986) to discipline valuers, and may suspend or terminate the valuers practicing certificate if the valuer has acted negligently.

Table 1. Scenarios Combining Size of Client and Amount of Adjustment

	Size of client	
	Small	Large
Amount of adjustment — Small	Case 1	Case 3
Amount of adjustment — Large	Case 2	Case 4

The study tests whether or not these two factors (client size and magnitude of change in value) has an effect on the decision of the valuer to revise/not revise their valuation assessment. Using the two factors (and their proxies), client pressure is analysed based on four different scenarios: (1) a small client requesting a small adjustment in value, (2) a large client requesting a small adjustment in value, (3) a small client requesting a large adjustment in value; and, (4) a large client requesting a large adjustment in value (Table 1). The four scenarios reflect intendent groups and each valuer surveyed receives only one scenario to eliminate the possibility of the identification of the manipulation of the variables. Given the above, a logistic regression model was used to test whether client size, amount of adjustment or the

interaction of these two variables is associated with the valuer's decision to revise the valuation or not.

The statistical model to be tested in the study is as follows:

$$Pi = \beta 0 + \beta 1(X1) + \beta 2(X2) + B3\ (X1,X2) + Error$$

Where:

Pi = Dependent variables for valuer, where 0 = valuer chooses to leave the report as it is, and 1 = valuer chooses to revise the report.

X1 = Independent variable representing the client size, where 0 = small and 1 = large

X2 = Independent variable representing the size of the adjustment, where 0 = small and 1 = large

X1, X2 = Interaction of the two factors, client size and size of adjustment

The data collected from the behavioural instrument is analysed using logistic regression available in SPSS statistical software. This is a 2 * 2 factorial design with the dependent variable entering as a binary of either 1 or 0 to indicate whether or not the valuer in the experiment will alter their valuation judgement. The explanatory variables for the study are "client size" and "size of the adjustment"; client size is reflected in the total amount of business that the client generates for the valuation firm, whilst size of adjustment measures whether the size of the requested amendment is small or large.

In addition to the behavioural experiment, the valuer's perception on the nature and extent of client influence were further investigated via a survey questionnaire handed out to the same sample of participating valuers, which is designed to examine their perceptions and attitudes about client influence on valuations. The survey questionnaire utilises a five-point Likert Scale measure to record the perception of valuers on the theme of client-induced appraisal bias. The survey questionnaire is divided into four main parts – A, B, C and D. Part A of the questionnaire measures the valuer's knowledge about the existence of client influence in their professional work experiences through simple 'Yes" and 'No' responses to general statements made about client influence. Section B of the questionnaire further expands on the theme of client influence by probing into the valuer's perceptual response to various statements that explain the different forms or ways that clients can influence valuations outcomes, such as asking for indicative figures, availability of market

information, 'opinion shopping' prior to engagement, or withholding of fees. Section C of the questionnaire examines the types of specific threats that the client can exert on the valuer and canvasses the valuer's perspective on the existence and reality of those threats. Section D of the questionnaire covers each specific type of valuation client and asks valuers to rank their influence on valuations. A purposive sampling framework is used in the study to select valuation firms covering the Northern, Central and Western Divisions. A total of 50 questionnaires were administered on the field for this study targeting a population of approximately seventy (70) valuers that currently practice valuation in the private sector and statutory bodies in Fiji (Nayacalevu, 2018). The sample explicitly excludes the valuers that operate in government departments given that the nature of valuation that they do is limited to the government as the principal client. From this, a total of 42 responses were deemed usable for the purpose of this study, giving a sample representativeness of 60% of the population.

Data

A total of 42 responses were analysed for the purpose of this study, reflecting the responses of valuers engaged in valuation practice in the private sector. The ages of the valuers surveyed ranged from 23 to 61years with an average age of 34 years. In terms of gender categorization, approximately 67% of those valuers surveyed were males and 33% were females. In terms of valuation work experience of the respondents, the length of working for the sample group ranged from 3 years to 26 years with the average being nine years. Furthermore, from the sample of valuers surveyed, around 66.7% have obtained a bachelor's degree, 28.6% have obtained postgraduate level qualifications (postgraduate, master's & Ph.D.) with the remaining 4.85% of the valuers having attained diploma or certificate-level qualifications.

Findings

The main findings will be discussed in two parts. The results of the survey questionnaire will be discussed first, followed by the results of the behavioural experiment.

Valuer's Knowledge of Client Influence

The first category of questions in the survey targets the valuer's knowledge and awareness of the existence of client influence, and is captured using a series of propositional statements about power relations between clients and valuers to which

the surveyed valuers respond by either affirming or negating the accuracy of the statements based on their knowledge and experience. These responses provide insight into the existence of client influence in the valuation environment in which valuers operate. The findings of the valuer's level of knowledge and understanding of client influence is summarized in Table 2. The first statement makes a broad claim that "clients can sometimes influence valuers to alter the valuation outcome", and approximately 81% of the respondents agreed with the statement. The second statement further probes into the valuer's understanding of client influence in relation to the actions of other valuers in the market. The findings show that approximately 88% of those surveyed agreed that "some valuers in the market comply with client's demand to modify their value estimates". This suggests that the existence of client influence is something that valuers are acutely aware of through their professional association within industry circles. The third statement is more direct in that it taps into the valuer's own experiences in relation to clients' influence, and the findings reveal that about 33 out of the 42 valuers surveyed (i.e., 78.6%) confirm that they have just "recently experienced being influenced by a client(s) to modify their valuation estimates". This finding indicates that the majority of the valuers are acutely aware of the power clients wield based on their recollection of recent experiences. The fourth statement requires valuers to reflect on whether or not they are aware that "some clients are known to exert more influence on valuers than others". The survey finds that approximately 95% of the respondents agreed, suggesting that the valuers surveyed are aware of the different types of clients and the level of influence they exert on valuation.

Table 2. Extent of Valuers Knowledge of Client Influence

Statement	*Agree*		*Disagree*			
	n	*%*	*n*	*%*	*Total*	*%*
Clients sometimes influence valuers to alter their objective valuation outcome	34	81.0	8	19.0	42	100.0
Some valuers in the market comply with a client's demand to modify value option	37	88.1	5	11.9	42	100.0
I have experienced clients insisting that I modify estimated values recently	33	78.6	9	21.4	42	100.0
Some particular types of clients in the market are prone to influencing valuers' market value estimates	40	95.2	2	4.8	42	100.0

Level of Perceived Influence from Client

The second category of questions in the questionnaire measured the valuers' perspective responses to statements about specific types of client behaviour, and how these behaviours may affect valuations. Clients may engage in behaviours such as seeking indicative figures prior to engaging the services of the valuers, using market information to alter valuation outcome, making promises of repeated business to the valuer, and asking for modifications of value estimates without supporting evidence. The valuer's response is measured following a Likert Scale measured on five levels (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree) and results are summarized in Table 3. The first statement makes a claim that "clients sometime ask valuers for an indicative valuation figure prior to the engagement of the valuer in the provision of the service". The study finds that approximately 83% of the valuers surveyed either "Strongly Agree" or "Agree" to the statement (*MS* = 4.31). This finding suggests that valuers are well aware of the use of the 'opinion shopping' tactic where the client searches to engage valuation firms that would be willing to provide a valuation estimate that is agreeable to their predetermined notion of value. The second statement asserts whether or not client influence is related to the level of sophistication of the client in terms of their knowledge on valuation matters and market information. The findings reveal that approximately 55% of the valuers expressed that they either "Strongly Agree" or "Agree" that "clients with more market information and knowledge influence valuer's value opinion" (*MS* = 3.60). In other words, knowledge and information can be leveraged by clients to influence valuation outcomes. The third statement probes into whether or not "clients offering repeated business to the firm sometimes influence valuation outcomes". Based on the responses, just slightly less than half (47.60%) of the valuers either "Strongly Agree" or "Agree", while 33% of those surveyed expressed a neutral position on the matter.

Next, the valuers were asked whether or not "clients sometime advise valuers their preferred value figure before engaging valuers", and the survey revealed that approximately 69% of the valuers surveyed expressed that they either "Strongly Agree" or "Agree" (*MS* = 3.83). Notably, this high rate in the affirmative parallels the valuer's responses to the earlier statement pertaining to the use of indicative figures prior to engagement, which suggests that clients exhibit a strong tendency to influence valuation outcomes at the initial stage prior to confirmation of the valuation assignment. The fifth statement makes the assertion that "clients can influence valuers by withdrawing supplied information" relevant to the valuation. The findings show that the majority of the valuers surveyed (i.e., 66.7%) either "Strongly Agree"

or "Agree" (*MS* = 3.81), and this again confirms that clients can leverage information to influence the valuation outcomes either positively or negatively. The final statement made in this category relates whether or not "clients do often ask for revision of value estimate without adequate supporting evidence". Based on the findings, approximately 71.5% of all the surveyed "Strongly Agree" or "Agree", and this throws to light the dilemma that the valuer often faces in maintaining rationality, good judgement, and logic, and in ensuring that valuations conducted are grounded on good, supporting market evidence.

Table 3. Level of Perceived Influence from Client

Statement	*S/Agree*		*Agree*		*Neutral*		*Disagree*		*S/Disagree*		*Total*	*Mean*
	n	*%*	*N*	*%*	*n*	*%*	*n*	*%*	*n*	*%*		
Clients sometimes ask for indicative figures for valuations before engaging valuers service	21	50.0	14	33.3	6	14.3	1	2.4	0	0.00	42	4.31
Clients with more market information and knowledge influence valuer's value opinion	7	16.7	16	38.1	15	35.7	3	7.1	1	2.38	42	3.60
Clients offering repeated business with firm sometimes influence valuation outcomes	9	21.4	11	26.2	14	33.3	8	19.0	0	0.00	42	3.50
Clients sometimes advise clients their preferred value figure before engaging valuers	10	23.8	19	45.2	9	21.4	4	9.5	0	0.00	42	3.83
Clients sometimes withhold important/crucial information from valuers	12	28.6	16	38.1	8	19.0	6	14.3	0	0.00	42	3.81
Clients often ask for revision of value estimate without adequate supporting evidence	13	31.0	17	40.5	7	16.7	5	11.9	0	0.00	42	3.90

Threats/Risks Induced by Clients on Valuers

Section C of the questionnaire identifies two major sources of threat/risk posed by clients –reward and information (Levy & Schuck, 1999; Amidu & Aluko, 2007), and here the valuers surveyed were required to reflect on whether or not these threats affected their ability to procure accurate and objective valuations. Table 4 summarizes the valuers' responses to the various statements that express how these reward/information threats can play out in their professional line of work. The 'reward threats' are in the form of a client's removal of valuers from their panel of valuers list, decrease in the valuation instructions for valuers, threat to engage other competing valuation firms and refusal by the client pay valuation fees if the value procured is not agreeable. Information threats, on the other hand, include clients supplying additional information to the valuer, clients withdrawing or withholding information, and clients manipulating supplied information.

With reference to reward threats, the findings show that valuers rated "client's refusal to pay valuation fee if the value is not agreeable" (*MS* = 3.48) and "clients threated to engage other valuation firms for the job" (*MS* = 3.10) as the most common versions of reward-type influence exerted by clients. For instance, in the case of the former, approximately 59.50% of the valuers surveyed "Strongly Agree" or "Agree" that "clients can influence valuers by refusal to pay fee if value is not agreeable". Furthermore, about 40.5% of the valuers surveyed either "Strongly Agree" or "Agree" that "clients can influence valuers by threating to engage other firms for the job". In addition, the survey indicates that clients' act of removing valuers from their approved valuer list is the least common type of reward threat (*MS* = 2.71).

With regards to information threats, the survey finds that the valuers are of the perception that the most common ways these are expressed is through the actions of clients in supplying valuers with additional information targeted at influencing the outcome of the valuation in their favour (*MS* = 3.48), as well as through the client's manipulation of the information supplied to the valuer (*MS* = 3.10) for their specific end. In the case of clients supplying information to the valuer, approximately 59.50% of the valuers surveyed "Strongly Agree" or "Agree" that "clients can influence valuers by supplying additional information to the valuer". In addition, the survey also indicates that action by clients to influence valuers by withdrawing supplied information (as a form of threat) is the least common information threat (*MS* = 2.95).

Table 4. Threats/Risks Induced by Clients on Valuers

Statement	*S/Agree*		*Agree*		*Neutral*		*Disagree*		*S/Disagree*		*Total*	*Mean*
	n	*%*	*N*	*%*	*n*	*%*	*n*	*%*	*n*	*%*		
(Reward Threats)												
Clients can influence valuers by removal from approved valuer list	1	2.4	11	26.2	10	23.8	15	35.7	5	11.9	42	2.71
Clients can influence valuers by decrease in number of valuation assignment	0	0.0	13	31.0	16	38.1	11	26.2	2	4.8	42	2.95
Clients can influence valuers by threat to engage other firms for the job	4	9.5	13	31.0	11	26.2	11	26.2	3	7.1	42	3.10
Clients can influence valuers by refusal to pay fee if value is not agreeable	1	2.4	24	57.1	12	28.6	4	9.5	1	2.4	42	3.48
(Information Threats)												
Clients can influence valuers by supplying additional information to the valuer	1	2.4	24	57.1	12	28.6	4	9.5	1	2.4	42	3.48
Clients can influence valuers by withdrawing supplied information	2	4.8	13	31.0	11	26.2	13	31.0	3	7.1	42	2.95
Clients can influence valuers by manipulating supplied information	4	9.5	15	35.7	9	21.4	9	21.4	5	11.9	42	3.10

Types of Clients and Level of Influence

The final section of the questionnaire targets valuers' perceptive responses on the level of risk posed by the different types of valuation clienteles. It has been well established in the literature that client influence is also related to the type of client, with certain types of clients exerting a stronger influence on valuers to amend value than others (Levy, 1999). The findings for the types of clients and their level of influence is summarized in Table 5. According to the survey, the clients with the highest level of influence are real estate agents (*MS* = 3.74), property developers (*MS* = 3.50) and institutional and business clients (*MS* = 3.38) with the remaining types of clients having a weak level of influence. For real estate agents, for instance, from the total of 42 valuers, 64.6% are of the opinion that real estate agents have a "Very

Strong" or "Strong" influence on valuers in influencing value estimates, whereas for property developers, approximately 40.5% of the respondent valuers assesses them to have a "Very Strong" or "Strong" influence.

Table 5. Types of Clients and Level of Influence

Statement	*Very Strong*		*Strong*		*Some*		*Weak*		*None*		*Total*	*Mean*
	n	*%*	*n*	*%*	*n*	*%*	*n*	*%*	*n*	*%*		
Commercial Banks	7	16.7	5	11.9	19	45.2	3	7.1	8	19.05	42	3.00
Property Developers	10	23.8	7	16.7	20	47.6	4	9.5	1	2.38	42	3.50
Institutional & Business Clients	5	11.9	12	28.6	20	47.6	4	9.5	1	2.38	42	3.38
Individual Clients	1	2.4	5	11.9	21	50.0	12	28.6	3	7.14	42	2.74
Real Estate Agents	12	28.6	15	35.7	10	23.8	2	4.8	3	7.14	42	3.74
Other Financial Institutions (non-Bank)	4	9.5	7	16.7	18	42.9	9	21.4	4	9.52	42	2.95
Statutory Housing Trusts (e.g., Housing Authority)	4	9.5	1	2.4	10	23.8	11	26.2	16	38.10	42	2.19

Client Influence on Valuation: Behavioural Experiment

This study also utilised a behavioural experiment to test the influence of clients on valuation, a methodology that was also applied in Worzala et al, 1998. In the formulation of this experiment, the valuers surveyed are required to role play what a valuer should do if confronted with a valuation dilemma. The dilemma relates to the valuer being supplied with additional information on the day the report is due by a client, which the valuer is not able to verify on time and that may or may not potentially affect the valuation. The valuer is then placed in the dilemma of whether or not to revise the value or submit the report as is. The study tests whether or not the valuer's decision (to change or not to change) their valuation estimates is influenced by the two independent variables: client size and magnitude of adjustment requested by the client. Accordingly, the hypothesis to this experiment is as follows:

Ho: Valuer's response to client's request for value adjustments is not affected by the client size/magnitude of adjustments sought

H1: Valuer's response to client's request for value adjustments is affected by the client size/magnitude of adjustments sought

A total of 42 usable responses were obtained from the survey, and a summary of the

valuer's response is given in Table 6. From the total of 42 valuers in the sample, approximately 19.04% (i.e., eight out of 42) indicated they will revise their valuation based on the new information received from the client, with 80.95% of respondents (34 out of 42) choosing to submit their report as is. The experiment then tests using logistics regression whether or not the valuer's response (revising or not revising) is influenced by client size and magnitude of changer requested. The result of the logistics regression is presented in Table 7. The logistics regression tests for the independent effect of each of the two variables studied (client size and magnitude of change requested) as well as the interaction effect of the two variables. In analysing the effect of client size, the findings reveal that the variable does not have a significant effect on the decision of the valuer whether or not to revise their valuation estimates (p = 0.215). Thus, the *Ho* hypothesis cannot be rejected..

Table 6. Frequency Distribution of Respondents by the Four Scenarios.

	Size of the Client			
	Small		Large	
Amount of adjustment	Yes	No	Yes	No
Small	2	6	2	10
Large	1	11	3	7

Table 7. Logistic Regression Model Output.

	B	S.E.	Wald	df	Sig.	Exp(B)
Size_client(1)	1.551	1.252	1.534	1	.215	4.714
Magnitude_of_adjustment(1)	.762	1.037	.540	1	.463	2.143
Magnitude_of_adjustment(1) by Size_client(1)	-2.061	1.683	1.500	1	.221	.127
Constant	.847	.690	1.508	1	.220	2.333

The findings suggest that valuers' decisions to amend their valuation is not directly influenced by the size of the client. Stated differently, valuers' decisions on whether or not to amend their valuations exist independently of the size of the client, whether 'large' (i.e., representing 30% or more of their revenue) or 'small' (i.e., representing 5% or less of their revenue). For the individual effect of the second variable, magnitude of change in value requested, the findings also reveal that this variable does not have a statistically significant effect on valuers' decisions (p = 0.463) and, similarly, the null hypothesis (*Ho*) cannot be rejected. As with client size, this indicated that the magnitude of change in valuation figures requested by client (i.e., whether a small or big adjustment) does not directly influence the decision of valuers. Finally, the test of interaction between client size and magnitude of change requested

also revealed an insignificant relationship ($p = 0.221$), and this is confirmed as well by the frequency distribution of the responses of the valuers (yes or no) across the four scenarios examined. This finding are consistent with earlier studies utilizing similar behavioural experiments (Worzala et al., 1998).

Conclusion

The study investigates the theme of client-induced valuation bias in Fiji through the use of a behavioural experiment and survey questionnaire. The study examines the level of awareness and knowledge of client influence by practicing valuers in Fiji, and also gathers first-hand insights into the valuers' perceptions of the various types of threats/risks that clients can exert in their professional work environment. More specifically, the study seeks to quantify the effect of clients on valuation using a behavioural experiment using two non-valuation factors – i.e., client size and magnitude of valuation adjustment.

The survey findings established that client influence does exist in the Fijian valuation industry. The valuers are acutely aware of the potential for clients to influence on valuation outcomes and there is strong evidence reflected by the valuers' own experiences that clients do try to influence the valuation arbitrarily. This is a concern given the importance of protecting the quality and legitimacy of the work of the valuers in the country. The survey also reveals that valuers have a strong perception that there are valuers in the market that are susceptible to comply with the client's demand to modify their value estimates. In terms of client influence, there is strong opinions expressed in support of clients being engaged in 'opinion shopping' with the expressed intention of engaging the services of valuers that are likely to support their own opinions of value. Furthermore, the study finds that clients influence mostly comes from real estate agents, valuers, and business and institutional clients. This is not surprising given that these groups of clients have a pecuniary interest in the final value estimates of properties.

There is scope for further research in this area to unravel how specific client influence shapes the actual decision-making processes valuers follow through the valuation process. This exploratory study uncovers that client influence does exist, particularly in the domains of control of the level and type of information valuers accessed from clients as well as the 'opinion shopping' tendency clients exhibit in their selection of a valuation firm. Fiji has recently adopted IVS and the wider dissemination of this professional practice standard, together with continuous professional development (CPD) by FIVEM should provide a good platform to address this problem at the industry level and uphold valuation integrity in the country. Moreover, FIVEM,

through its industry engagements, can take a more active role particularly through the area of information sharing among valuation firms, upskilling and training of valuers, as well as standardization of valuation practice in the hiring of clients in order to improve the standard and objectivity of valuation service and address issue of client influence.

The findings from the behavioural experiment reveal that the two variables examined (client size and magnitude of change) taken independently are not statistically significant in influencing the behaviour of the valuer to revise/not to revise their valuation outcomes. This finding does not negate the existence of client influence but rather clarifies that client influence is a multifaceted phenomenon and that the feedback signals from the client to the valuer and how this directly affects the behaviour of the valuer may be more complex that what the model prescribes in this study. This leads us to rethink how best to quantify and model the complex interactions between the client and the valuer in their professional work environment.

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